

Trends

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HOUSEHOLD TAX ANALYSES

The following analyses serve to illustrate the impact of certain County taxes on the "typical" household from FY 1995 to FY 2001. This period provides five years of actual data, estimates for FY 2000 based on year-to-date experience, and projections for FY 2001. The Washington metropolitan area is expected to experience average inflation of 2.2 percent per year from FY 1995 to FY 2001. Historical dollar amounts are converted to FY 2001 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area and projections for inflation in FY 2000 and FY 2001 based on the consensus forecasts contained in the March 2000 issue of the [Blue Chip Economic Indicators](#). Prices in FY 2000 and FY 2001 are anticipated to increase 2.6 percent, which is consistent with recent experience in the area. It should be noted that revised estimates of the number of Fairfax County households in 1999 through 2001 have become available since the publication of the [FY 2001 Advertised Budget Plan](#) and are reflected in this section.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 1995 - FY 2001

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes, and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

The "typical" household will pay \$3,434.10 in selected County taxes in FY 2001, compared to \$3,472.76 in FY 1995, adjusting for inflation. This represents a decrease of \$38.66, or 1.1 percent. Please note that the taxes paid in FY 1999 through FY 2001 reflect the Personal Property Tax Relief Act of 1998 (PPTRA) which reduced an individual's Personal Property Tax liability by 12.5 percent in FY 1999, 27.5 percent in FY 2000, and 47.5 percent in FY 2001. The PPTRA applies to vehicles valued up to \$20,000 owned by individuals. The "typical" household is projected to pay \$35.54 less in selected County taxes in FY 2001 as compared to FY 2000, adjusting for inflation. Based on projections for FY 2001, the "typical" Fairfax County household's tax payment has increased an average of 2.0 percent per year since FY 1995 resulting in a total increase of \$378.59 over the period, not adjusting for inflation.

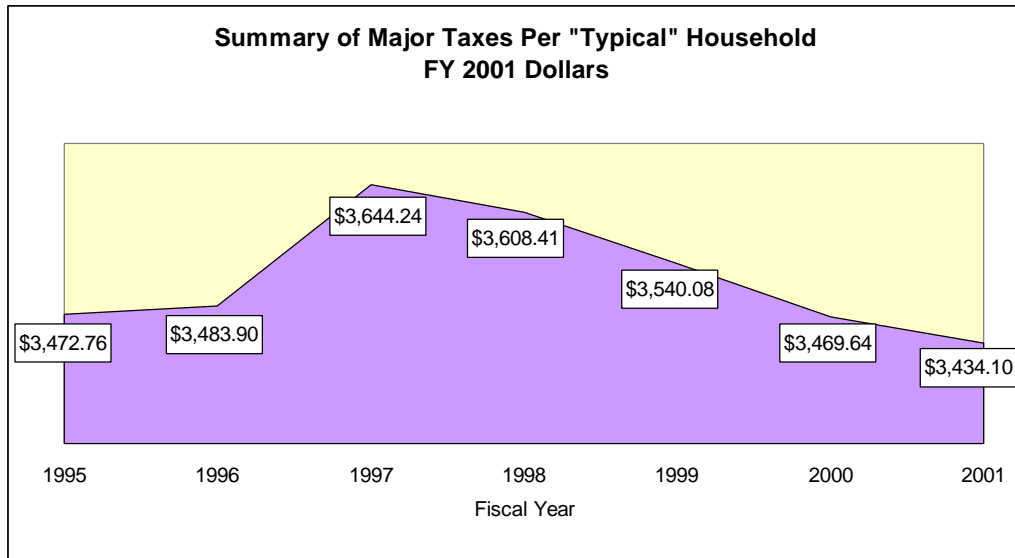
Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2001 Dollars	Personal Property Tax in FY 2001 Dollars¹	Sales Tax in FY 2001 Dollars	Consumer Utility Tax in FY 2001 Dollars	Total Taxes in FY 2001 Dollars¹
FY 1995	316,957	\$2,476.12	\$529.20	\$322.00	\$145.44	\$3,472.76
FY 1996	323,329	\$2,447.04	\$572.86	\$319.70	\$144.30	\$3,483.90
FY 1997	328,131	\$2,559.93	\$610.04	\$326.93	\$147.34	\$3,644.24
FY 1998	338,045	\$2,518.32	\$607.61	\$333.77	\$148.71	\$3,608.41
FY 1999	344,563	\$2,494.64	\$542.25	\$353.56	\$149.63	\$3,540.08
FY 2000²	353,356	\$2,469.86	\$473.53	\$372.99	\$153.26	\$3,469.64
FY 2001²	359,460	\$2,530.76	\$353.52	\$396.67	\$153.15	\$3,434.10

¹ FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth for Personal Property Taxes paid. FY 2000 and FY 2001 incorporate reductions of 27.5 percent and 47.5 percent in the Personal Property Tax bills sent to citizens. The lost revenue will be paid to the County by the Commonwealth.

² Estimated.

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Real Estate Tax Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per \$100	Tax per Household ¹	Tax per Household in FY 2001 Dollars ¹
FY 1995	\$187,811	\$1.16	\$2,178.61	\$2,476.12
FY 1996	\$190,361	\$1.16	\$2,208.19	\$2,447.04
FY 1997	\$191,094	\$1.23	\$2,350.46	\$2,559.93
FY 1998	\$191,149	\$1.23	\$2,351.13	\$2,518.32
FY 1999	\$192,667	\$1.23	\$2,369.80	\$2,494.64
FY 2000	\$195,713	\$1.23	\$2,407.27	\$2,469.86
FY 2001¹	\$205,753	\$1.23	\$2,530.76	\$2,530.76

¹ Estimated

As shown in the preceding table, actual Real Estate Taxes per "typical" household are expected to increase \$123.49 between FY 2000 and FY 2001 to \$2,530.76, not adjusting for inflation. This increase is due to higher residential property assessments fueled by significant activity in the residential resale market. Since FY 1995, Real Estate Taxes have increased \$352.15, or an average of 2.5 percent per year, not adjusting for inflation. Adjusted for inflation, however, Real Estate Taxes per "typical" household are only \$54.64 higher relative to FY 1995, or have risen an average of 0.4 percent per year. The Real Estate Tax rate remains unchanged at \$1.23 per \$100 of assessed value in FY 2001.

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Personal Property Taxes Per "Typical" Household

	Total Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household¹	Tax per Household in FY 2001 Dollars¹
FY 1995	\$147,580,710	316,957	\$465.62	\$529.20
FY 1996	\$167,141,719	323,329	\$516.94	\$572.86
FY 1997	\$183,794,285	328,131	\$560.12	\$610.04
FY 1998	\$191,762,598	338,045	\$567.27	\$607.61
FY 1999	\$202,845,636	344,563	\$515.12	\$542.25
FY 2000²	\$224,943,732	353,356	\$461.53	\$473.53
FY 2001²	\$242,053,312	359,460	\$353.52	\$353.52

¹ FY 1999 reflects a refund of 12.5 percent paid to citizens by the Commonwealth. FY 2000 and FY 2001 incorporate reductions of 27.5 percent and 47.5 percent in the Personal Property Tax bills sent to citizens. The lost revenue will be paid to the County by the Commonwealth.

² Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Taxes paid in FY 1999 through FY 2001 reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA) which reduced an individual's Personal Property Tax payment by 12.5 percent in FY 1999, 27.5 percent in FY 2000, and 47.5 percent in FY 2001. This analysis assumes that the "typical" household's vehicle(s) are valued at \$20,000 or less in order to qualify for a reduction under the PPTRA. In FY 2001 the "typical" household is estimated to pay \$353.52 in Personal Property Taxes or \$112.10 less than was paid in FY 1995, not adjusting for inflation. If adjustments are made for inflation, the "typical" household is projected to pay \$175.68 less in FY 2001, compared to FY 1995, and \$120.01 less compared to FY 2000. There have been no changes to the Personal Property Tax rate of \$4.57 per \$100 of assessed value during the FY 1995 to FY 2001 period.

Sales Tax Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2001 Dollars
FY 1995	\$89,797,900	316,957	\$283.31	\$322.00
FY 1996	\$93,277,613	323,329	\$288.49	\$319.70
FY 1997	\$98,497,233	328,131	\$300.18	\$326.93
FY 1998	\$105,338,868	338,045	\$311.61	\$333.77
FY 1999	\$115,728,083	344,563	\$335.87	\$353.56
FY 2000¹	\$128,458,172	353,356	\$363.54	\$372.99
FY 2001¹	\$142,588,571	359,460	\$396.67	\$396.67

¹ Estimated

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In FY 2001, Sales Tax per household is estimated to be \$396.67, as shown in the above table, or \$113.36 more relative to FY 1995, not adjusting for inflation. Taking inflation into account, the estimate reflects an average annual increase over the period of 3.5 percent, or \$74.67. Significant growth has been registered in this category recently due to the strength of the local economy and solid consumer confidence. As a result, the impact of Sales Taxes on the "typical" household has been more considerable than that of the other selected taxes. This analysis assumes that all Sales Taxes are paid by individuals living in Fairfax County and is therefore somewhat overstated. A portion of the County's Sales Tax revenues are paid by businesses or by non-residents who either work in the County or who are visiting the County. As the County becomes more of a major employment center in the region, the contribution of non-residents to the County's Sales Tax revenues will grow in importance.

Consumer Utility Taxes Per "Typical" Household

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2001 Dollars
FY 1995	\$40,559,428	316,957	\$127.97	\$145.44
FY 1996	\$42,101,969	323,329	\$130.21	\$144.30
FY 1997	\$44,389,834	328,131	\$135.28	\$147.34
FY 1998	\$46,933,602	338,045	\$138.84	\$148.71
FY 1999	\$48,976,788	344,563	\$142.14	\$149.63
FY 2000¹	\$52,783,855	353,356	\$149.38	\$153.26
FY 2001¹	\$55,053,066	359,460	\$153.15	\$153.15

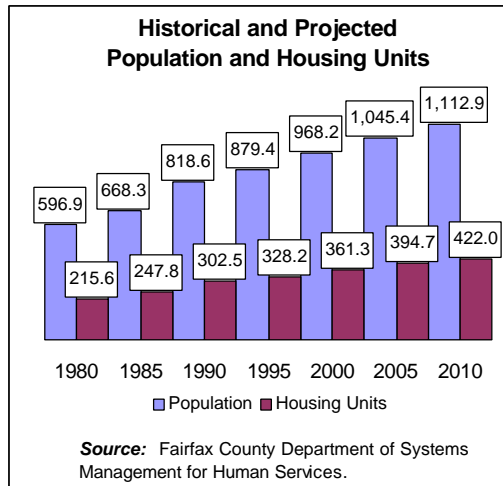
¹ Estimated

Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes, 55.0 percent of the Gas Taxes, and 84.0 percent of the Telephone Taxes received by the County. It is estimated that in FY 2001 the "typical" household will pay \$153.15 in Consumer Utility Taxes, or \$25.18 more relative to FY 1995, not adjusting for inflation. From FY 1995 to FY 2001, the "typical" household has experienced average annual increases of just 0.9 percent per year, or \$7.71 over the period, adjusted for inflation. No changes to the residential Utility Tax rates or taxable ceilings have been made during the period.

DEMOGRAPHIC TRENDS

Demographic trends strongly influence Fairfax County's budget. Changing demographics or population characteristics affect both the costs of government services provided as well as tax revenues. The descriptions and charts contained in this section provide some examples of how various demographic trends affect the Fairfax County budget. Although these trends are discussed separately, the interactions between these demographic trends ultimately influence the direction of expenditures and revenues. While certain demographic trends may suggest reduced expenditures in a program area, other demographic trends may increase program expenditures at the same time.

Population and Housing

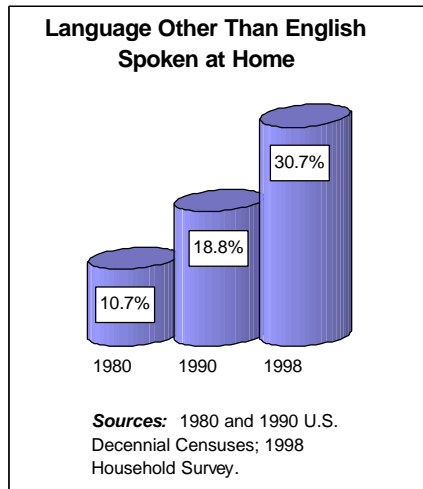


Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. Fairfax County experienced dramatic population growth during the 1980's, adding an average of more than 22,000 residents per year. This growth has moderated to the addition of an average of just over 14,000 residents per year during in the 1990's. Although population growth in the 1990's has been slower than that of the 1980's, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County.

In 2000, Fairfax County is projected to have 968,225 residents. By 2005, the County's population is expected to exceed one million persons. From 1980 to 1999, the number of housing units in Fairfax County increased more rapidly (68 percent) than population (59 percent). This phenomenon is due to a shrinking average household size from 2.88 persons in 1980 to 2.69 persons in 1999. Between 1999 and 2010, average household size is expected to decrease only slightly to 2.67 persons per household. For some program areas such as fire prevention, transportation, water and sewer, and real estate assessments, the growth in the number of housing units has a larger impact on workloads and expenditures than population growth. For other program areas such as libraries, recreation and schools, the growth in population is a more important determining factor.

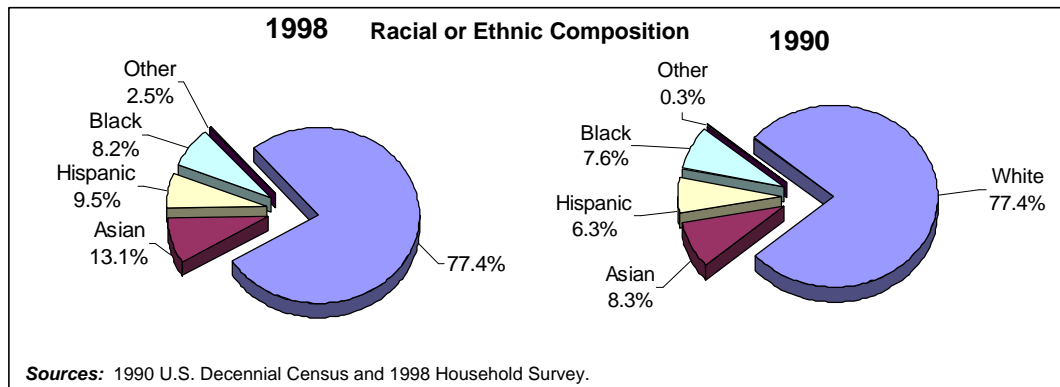
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Cultural Diversity



Fairfax County is a very diverse jurisdiction. The number of persons, age 5 years and older, speaking a language other than English at home has increased dramatically since 1980 to over 250,000 residents in 1998. In 1980, only 10.7 percent of residents age 5 years or older spoke a language other than English at home. By 1990, this percentage had risen to 18.8 percent. In 1998, nearly a third of the County's residents, age 5 years or older, spoke a language other than English at home. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese and Chinese.

These language trends affect many County programs. The Fairfax County Public Schools have experienced rapid growth in English as a Second Language (ESL) programs. Between FY 1990 and FY 2000 total public school membership increased 20 percent while ESL enrollment increased 122 percent. Many general government programs also are affected by the County's cultural and language diversity. As with the public schools, the courts, police, fire and emergency medical services, programs dealing with taxes and licenses, and human service programs must devise ways to effectively communicate with these citizens for whom English is a second language.



In 1990, racial and ethnic minorities comprised less than a quarter of the Fairfax County's population. In 1998, these groups comprised one-third of the County's residents. Asians and Pacific Islanders have been the most rapidly growing group, followed by Hispanics. These two minority groups are expected to be the County's fastest growing racial or ethnic groups during the next five years. Among Asian and Hispanic residents almost 90 percent speak a language other than English at home. Therefore, the percentage of persons speaking a language other than English at home will continue to increase over the next five years.

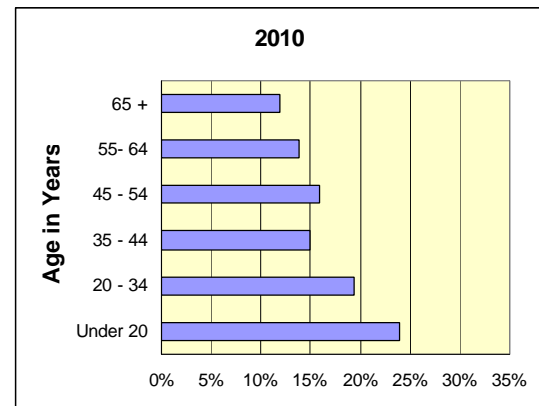
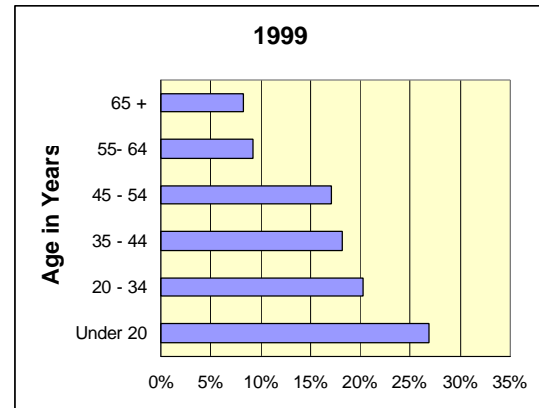
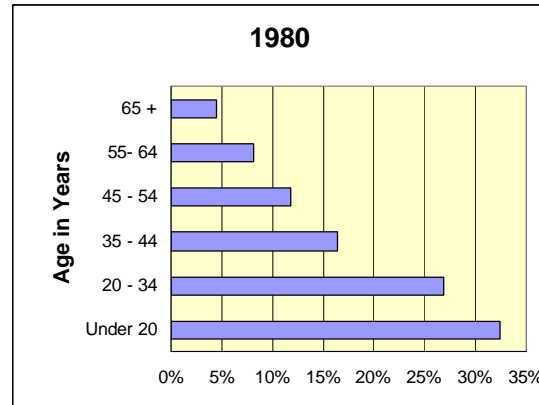
Population Age Distribution

Fairfax County's population has grown steadily older since 1980. This trend is projected to continue through 2010. Although children, age 19 years and younger, grew in number between 1980 and 1999, they became a smaller proportion of total population. This trend is expected to continue through 2010 as children grow in number but continue to decline as a proportion of total population. The "baby boomlet" (children of baby boomers) which will expand the number of persons age 20 to 34 years by 2010, but adults age 35 to 44 years will shrink in number by 2010.

Adults, age 45 to 54 years, expanded rapidly in number between 1980 and 1999 as the first "baby boomers" reached their fifties. However between 1999 and 2010, persons age 45 to 54 will not grow as rapidly in number as the last of the "baby boom" generation enters this age group and the oldest "baby boomers" leave the group. Persons, age 55 to 64 years, increased in number but remained a fairly constant percentage of total population between 1980 and 1999. By 2010 the older "baby boomers" will significantly increase the size of the population of this age group. The most rapidly growing group between 1980 and 1999 was seniors age 65 years and older. Seniors are expected to continue to be one of the most rapidly expanding groups through 2010.

The age distribution of Fairfax County's population strongly influences the demand and, therefore, the costs of providing many local government services. For example, the number, location and size of school and day care facilities are directly affected by the number and proportion of children. Transportation expenditures for both street maintenance and public transportation are influenced by the number and proportion of driving age adults and their work locations. The number and percentage of persons age 65 years and older will affect expenditures for programs for seniors such as health care. Public safety programs also are affected by age demographics. Crime rates, for example, are highest among persons age 15 to 34. In addition, the youngest and the oldest drivers have the greatest probabilities of being involved in traffic accidents.

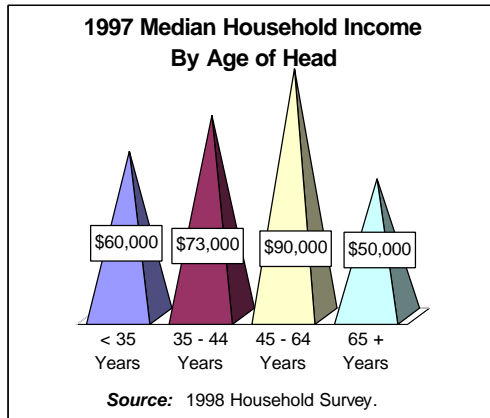
Population Age Distribution



Sources: 1980 U.S. Decennial Census; 1999 and 2010 Fairfax County Department of Systems Management for Human Services.

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Household Income

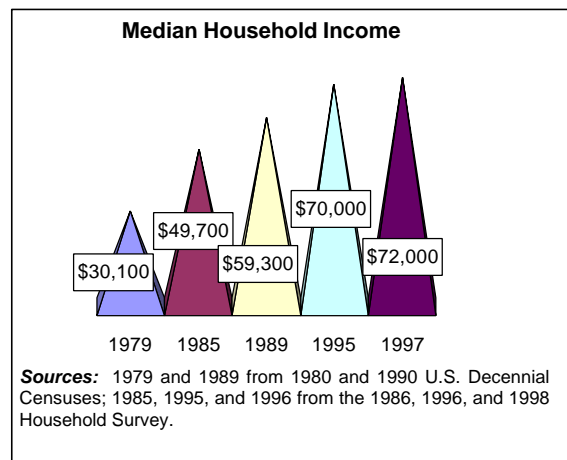


Fairfax County tax revenues also are affected by population age distributions. Income peaks among householders, age 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group expands during the next 15 to 20 years, some tax revenues will be stimulated. These householders who are part of the “baby boom” generation will fuel demand for trade-up housing. With their higher incomes, they also have greater discretionary income for spending on goods and services, increasing revenue from sales taxes.

However, the median household income of households headed by a person age 65 or older is much less than that of a household headed by a person age 45 to 64 years. Therefore, a population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households have less discretionary income to spend (taxable sales); on average, own fewer motor vehicles; and are more likely to qualify for tax relief or discounted fees.

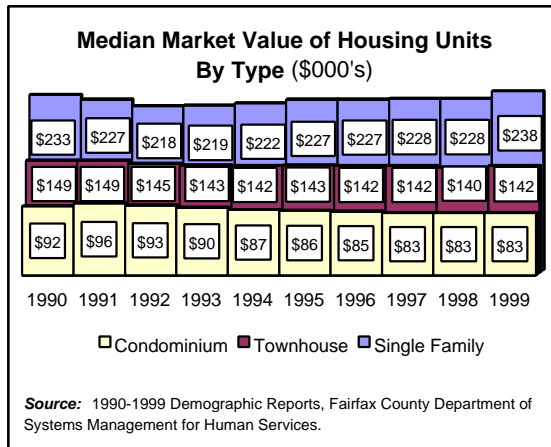
From 1979 through 1989, the growth in Fairfax County’s median household income exceeded inflation, increasing 13.9 percent, adjusted for inflation. As a result, households in Fairfax County had more discretionary income to spend or save. Since 1989, however, the growth in Fairfax County’s median income has not kept pace with inflation, as measured by the Washington Area Consumer Price Index. In fact, inflation adjusted median household income decreased 4.3 percent between 1989 and 1997.

Income growth, or lack thereof, affects Fairfax County tax revenues indirectly in that it impacts the County’s economic health. Tax categories affected by income include Sales Tax, Residential Real Estate Taxes and Personal Property Taxes. In addition, income levels directly affect the County’s expenditures for labor.



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Median Market Value of Housing



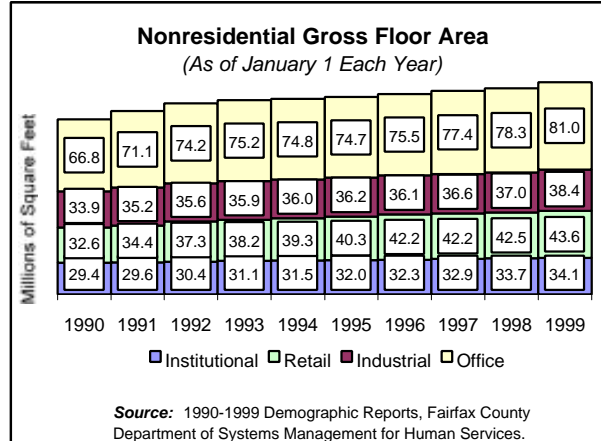
The median market values of single family, townhouse and apartment condominium housing increased dramatically through the 1980's. In 1990, median housing values peaked at \$232,700 for single family homes and \$149,000 for townhouses. The apartment/condominium median market value peaked one year later in 1991 at \$95,500. In 1999, the median market value of single family homes, which comprise more than half of the County's housing stock, rose above its previous peak in 1990 to \$238,185, increasing over \$10,000 in one year. The median market value of townhouses rose slightly to \$141,700 and there was no significant change in the median market value of apartment style condominiums.

Real Estate Tax revenues provide more than half of all General Fund Revenues and residential

properties comprise the majority of the value of the Real Estate Tax base. Thus, the market values of homes exert a very strong influence on Fairfax County's revenues. Much of the softening of housing values in Fairfax County can be attributed to a realignment in the housing market. During the 1980's the median market value of housing grew much more rapidly than median household income. In 1979, the median market value of housing was 2.5 times greater than median household income. By 1990, the median market value of housing was more than three times median household income. During the 1990's the ratio between median market value and median household income has returned to the levels experienced during the early 1980's.

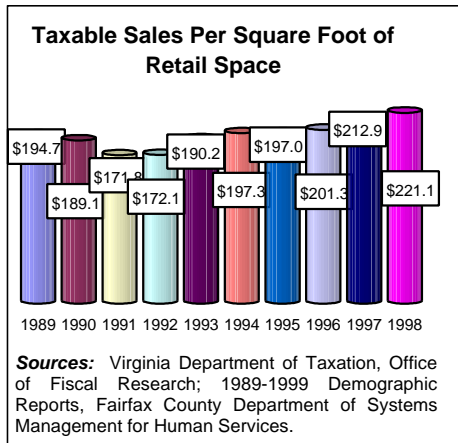
Nonresidential Space

The amount and value of nonresidential space in Fairfax County has a major impact on revenues and expenditures. Business activity affects Real Estate Tax revenues; business Personal Property Tax revenues; Business, Professional and Occupational License Tax revenues; Sales Tax revenues; and Consumer Utility Tax revenues. Business expansion also affects expenditures for water and sewer services, transportation improvements and services, police and fire services, and refuse disposal. Since 1990, the total nonresidential gross floor area in Fairfax County has increased by 34 million square feet. Retail and office space have comprised most of this growth. Retail space increased by 11 million square feet and office space increased by 14 million square feet. Typically, increases in the amount of nonresidential space in the County would indicate increases in the County's business base and, thus, increases in Real Estate Tax revenues. However, the growth in nonresidential space does not necessarily translate directly into Real Estate Tax revenue increases because the income generating ability of nonresidential space also is a factor.



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Taxable Sales Per Square Foot of Retail Space

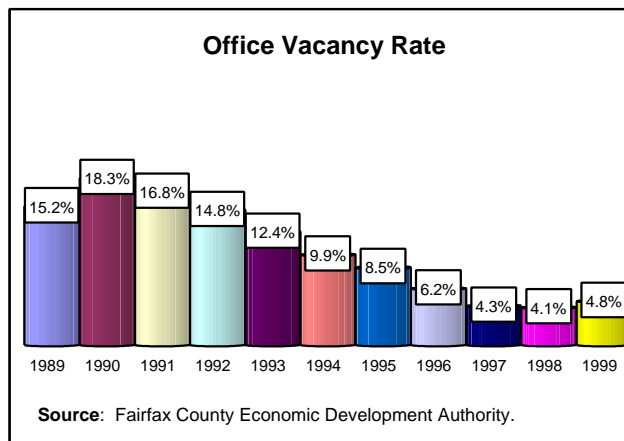


Taxable sales per square foot of retail space are an indicator of the health of the retail sales market in Fairfax County and a gauge of the income generating potential of retail space. Although retail square footage grew each year during the 1990's, taxable sales per square foot of retail space decreased dramatically in calendar year 1991, falling 9.1 percent. This decrease in taxable sales per square foot of retail space was because the increase in retail space out paced the increase in taxable sales during the 1991-1992 recession. In calendar year 1994, taxable sales per square foot of retail space rebounded and returned to levels experienced in the late 1980's. In calendar year 1995, total taxable sales increased 2.2 percent but taxable sales per square foot of retail space exhibited no growth, remaining at \$197 per square foot. Thus, the amount of available retail space in Fairfax County grew faster than taxable sales.

Between 1995 and 1998, taxable sales per square foot of retail space increased to \$221.1, or 12.0 percent. When adjusted for inflation, taxable sales per square foot of retail space has increased faster than inflation since 1996 but 1998 taxable sales per square foot of retail space remains below the level experienced in 1989. Real growth in taxable sales per square foot of retail space generally indicates a profitable retail sales market and encourages retail expansion. A healthy retail sales market generates increasing tax revenues for the County.

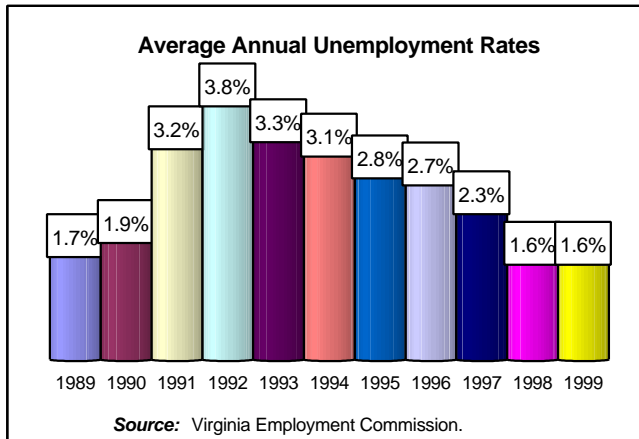
Office Vacancy Rates

During the late 1980's and early 1990's, Fairfax County experienced a glut of office space. Office vacancy rates peaked at 18.3 percent in 1990. As of yearend 1998, office vacancy rates reached a 15-year low, resulting in a tight office leasing market in Fairfax County. The rate increased to 4.8 percent at yearend 1999, but it is still low by historical standards. Due to the lack of available office space, an expansion of office square footage is anticipated to occur over the next few years. The lack of available office space also should put upward pressure on the value of office space in the County. These trends should result in additional tax revenues from office properties which comprised 41 percent of all nonresidential gross floor area in 1999.



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Employment



Unemployment rates and at place employment (the number of persons employed in Fairfax County) are additional indicators of the health of the Fairfax County economy. Unemployment rates provide an indication of how many Fairfax County residents who desire to work cannot find employment. Residents of Fairfax County have experienced very low unemployment rates even during the business cycle recession that occurred during 1991 and 1992.

At place employment provides an indication of the number of jobs generated by businesses in Fairfax County. Between 1990 and 1992, at place employment in Fairfax County declined by more than 7,300 jobs and unemployment rates peaked at 3.8 percent. Since 1992, the number of jobs in Fairfax County has expanded by more than 122,000 positions and unemployment rates have fallen dramatically. As discussed above, business and employment growth generate additional tax revenues and additional expenditures for Fairfax County.

